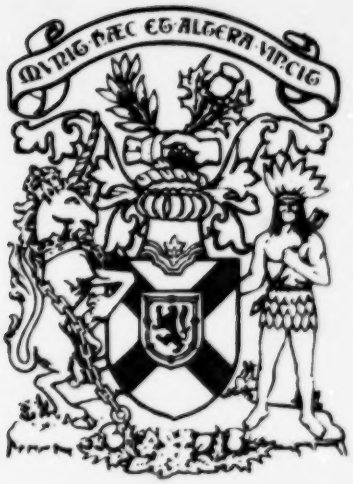
BUILDING COMPETITIVENESS

A White Paper on Economic Development

Province of
Nova Scotia



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Province of Nova Scotia

Honourable Roland J. Thornhill
Minister
Department of Development

February 1984

Foreword

Building Competitiveness, the White Paper on Economic Development, is a statement of policy by which the Government of Nova Scotia intends to promote economic development in the province.

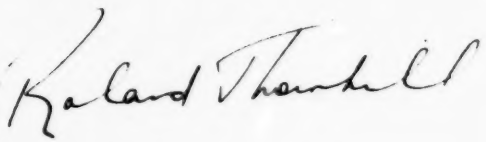
The White Paper on Economic Development is the culmination of an extensive consultative process involving people from all areas of the province and from every sector of the economy, largely under the auspices of the Voluntary Planning Board. To all involved, and especially to Voluntary Planning, goes the government's sincere thanks for participating in the development strategy project.

This paper is a vital document with wide application for use in guiding the government and the private sector in their economic decision-making. It is in no way a rigid or restrictive document. It presents a framework for development policy rather than detailing new programs or spending commitments. Within this framework, the private sector can plan for its own future with some certainty about what the government is going to do. The White Paper attempts to point out broad directions rather than promulgating narrow directives.

As the title states, the principal means for advancing Nova Scotia's economic development is in building the competitiveness of the private sector. The government is committed to acting as a facilitator and a supporter of growth and development.

I think everyone involved in the development strategy project expects and hopes that discussion, debate and further elaboration of development policy will continue.

Certainly the Government of Nova Scotia looks forward enthusiastically to working with the private sector on refining and implementing the recommendations of this White Paper on Economic Development.



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Executive Summary

This White Paper on economic development in Nova Scotia lays out the framework for government action in the economy over the next number of years. It is based on the conviction that our future economic success depends on a sustained effort on the part of individuals in the private sector and in government to ensure that Nova Scotia's goods and services are competitive in local, Canadian and international markets. This province has a vibrant economic future but steps must be taken to turn that promise into reality.

The White Paper has evolved from the unprecedented cooperative effort by the Government of Nova Scotia and the private sector to define the problems facing the Nova Scotian economy. Working through the Voluntary Planning Board, the provincial government has sought to provide consistent long-term direction on economic development policies through the preparation of this White Paper.

When looking at Nova Scotia's economic prospects, four key factors are of particular importance. The potential for development of oil and gas resources offshore will provide a springboard to a stronger overall economy throughout the province. Technological change, particularly in microelectronics, is revolutionizing products, production techniques and business practices. The structure of economic activity is shifting worldwide as the production of services grows relative to the production of goods. Finally, patterns of world trade are changing dramatically, resulting in more competition in traditional domestic and foreign markets.

The prospects for oil and gas development offer an exciting challenge to Nova Scotians prepared to take advantage of the opportunities presented by such massive investment. These prospects, however, must not be allowed to cloud our perception of the broader issues facing us over the next ten years. Offshore resources offer an opportunity to expand the economic base but they must not be seen, in and of themselves, as a solution to all our economic problems.

Nova Scotians must hone their abilities to capture new opportunities quickly and to become aggressive marketers in the international arena. Private initiative is the key to competitive success. While government actions must be supportive, government cannot do the job for the business community. We cannot buy, wish or legislate our way to success. We must be able to compete.

There are two principal areas in which the government of Nova Scotia will help firms and individuals strengthen their competitive ability and performance. First, action will be taken to build on human resource strengths. Management skills, entrepreneurial talents, craftsmanship, research abilities and educational resources can provide firms with an impressive edge over competition. Among the steps the Province will take in this area is a strengthening of the manpower training system to reflect the needs of the workplace.

Secondly, the provincial government will use all the tools at its disposal to improve the business environment in Nova Scotia. The government will implement measures to stimulate investment based on advice from experts in the private sector. Guidelines have been established for government assistance to industry which will encourage competitiveness. Information services will be designed to ensure that local firms, especially smaller firms, are aware of developments in areas such as market opportunities and new production techniques.

In these two critical areas, cooperation among the economic actors -- businesses, governments, labour groups and educators -- is essential to success.

Economic development is a long-term and dynamic process, one that will demand a sustained effort on the part of all members of the private sector and of government. Success can be assured only if Nova Scotian goods and services are competitive in the worldwide economy. The White Paper is meant to point the way but the responsibility to pursue new and challenging opportunities rests with each Nova Scotian.

I Outlook for the Eighties

A wide variety of activities characterize the Nova Scotian economy. Primary industries, resource processing, secondary manufacturing, construction, the hospitality industry and an array of service industries all contribute to provincial gross domestic product (GDP).

The four resource sectors -- fisheries, agriculture, forestry and mining -- represent about seven percent of Nova Scotia's GDP (see Figure 1). They have maintained a constant share of the Nova Scotian economy since the early 1970's, in spite of the fact that the resource industries' share of the Canadian economy fell by 25 percent during that period. Without doubt, the traditional resource industries give a special identity to Nova Scotia's economic life.

Nova Scotia's manufacturing sector accounts for almost 13 percent of provincial GDP, when both resource processing and end-product manufacturing are included. Growth in the value of manufacturing shipments in Nova Scotia in recent years was more than twice the growth of the national level although its share of total economic activity is smaller than in Canada as a whole. The province has a somewhat higher proportion of manufacturing activity in resource processing than does Canadian manufacturing on average. At the same time, Nova Scotia has a lower proportion in industry groups associated with a high degree of industrialization and in research-intensive industries such as the electrical and chemical industries.

The construction sector makes a significant contribution to the Nova Scotia economy, representing about seven percent of GDP. As this sector serves the local economy, its growth reflects the level of activity in other sectors.

The service sector includes the hospitality industry, transportation, wholesale and retail trade, finance, insurance, real estate, other business services, health, education, other community and personal services, utilities, communications, defence and public administration. This group represents about 74 percent of GDP in Nova Scotia, making it larger than in the overall Canadian economy where it represents 68 percent of GDP. Several major defence installations contribute to the large service sector in Nova Scotia. The hospitality industry, which includes a range of activities from seafood suppers to highland dancing, is a developing industry of growing importance, with non-resident travellers in the province adding valuable export dollars to the economy.

1. Progress in Recent Years

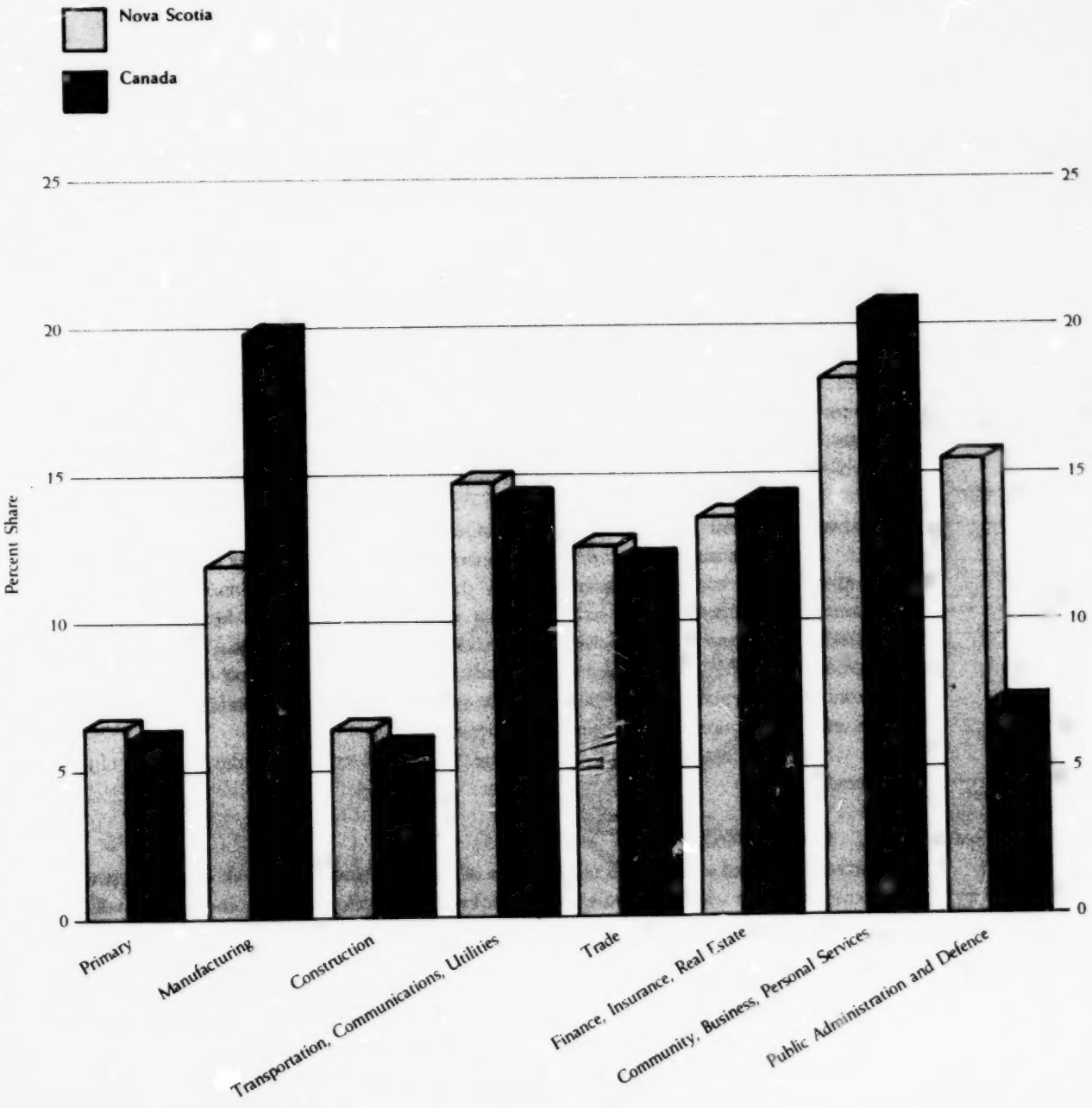
Nova Scotia's economic performance during the sixties and seventies was impressive. There was growth in all sectors as GDP in real terms grew by over 100 percent between 1961 and 1981. Employment grew by over 50 percent over the 20-year period, particularly between 1978 and 1981 when Nova Scotia enjoyed an average annual increase of 3 percent. Productivity, as represented by the value of GDP per employed person, increased by 36 percent and average personal income per capita rose seven times in current dollar terms, a rate of growth that kept pace with the national average.

In the past two or three years in particular, the province has made important strides towards economic success. A new period of offshore exploration has begun off Nova Scotia's shores. Significant investments in coal development have occurred. A third tire plant was constructed in the province, representing an investment of almost $300 million. Consistent with the Nova Scotia government's policy to work with the federal government to benefit the province, agreements

Profile of the Economy

Figure 1

Real Domestic Product 1982



Source: Conference Board of Canada

were signed by the federal and provincial governments directing $35 million to the development of ocean related industries, almost $50 million to the agricultural sector, $53 million to forestry and over $20 million to the pulp and paper industry.

While there can be no denying that significant progress has been made in recent years, the Maritime Provinces are still considered one of Canada's "lagging" regions. By most common economic indicators, the region trails the national average. In 1982, the unemployment rate in the Maritimes was 13.6 percent, or 2.6 percentage points higher than the Canadian average. The average income per capita in the region in 1982 was approximately $9,643, about 75 percent of the national average. Productivity remains almost 22 percent below the national average. As a consequence, the Maritime Provinces have continued to receive substantial income subsidization through net federal transfers to provincial governments and to individuals, with over a quarter of their total GDP consisting of federal transfers.

2. Looking Toward the Nineties

In the 1980's, virtually every economy was affected by the world recession. While economic observers are confident that recovery is underway, the strength of the economic rebound is still uncertain. Activity in 1983 has brought modest recovery in the Canadian and US economies, with anticipated growth in Canadian GDP projected at around 3 percent when adjusted to account for inflation. Nova Scotia is fortunate to enjoy opportunities for growth which should accelerate the pace of the recovery locally, spurred by its excellent potential for energy-related projects, particularly from offshore gas and oil, tidal power and coal developments.

Looking at prospects for the medium to long term, Nova Scotia's fortunes are very much tied to economic and market conditions in the rest of the world. Nova Scotia is a trading economy, dependent on markets outside the province (see Fig. 2). External sales as a percentage of GDP provide an indication of an economy's reliance on trade. In Nova Scotia this figure is 40 percent, while for Canada as a whole, the comparable figure is 29 percent. Just as Canada, with its relatively small domestic market, is known as one of the world's most trade-dependent nations, Nova Scotia is one of the most trade-dependent areas of Canada.

In an increasingly integrated world economy, capital and information cannot be confined within national borders. Decisions taken by the government of one country or by a major international corporation can have important ramifications throughout the world economic system. Furthermore, as a relatively small economy with few market-dominant corporations, Nova Scotia's ability to influence world trends is limited. To turn potential opportunities into economic achievement, Nova Scotians must be aware of world conditions and trends, and be able to anticipate changes and adapt in an effective manner.

Four factors will have an impact on the Nova Scotia economy for the remainder of this decade.

a. Offshore Activity

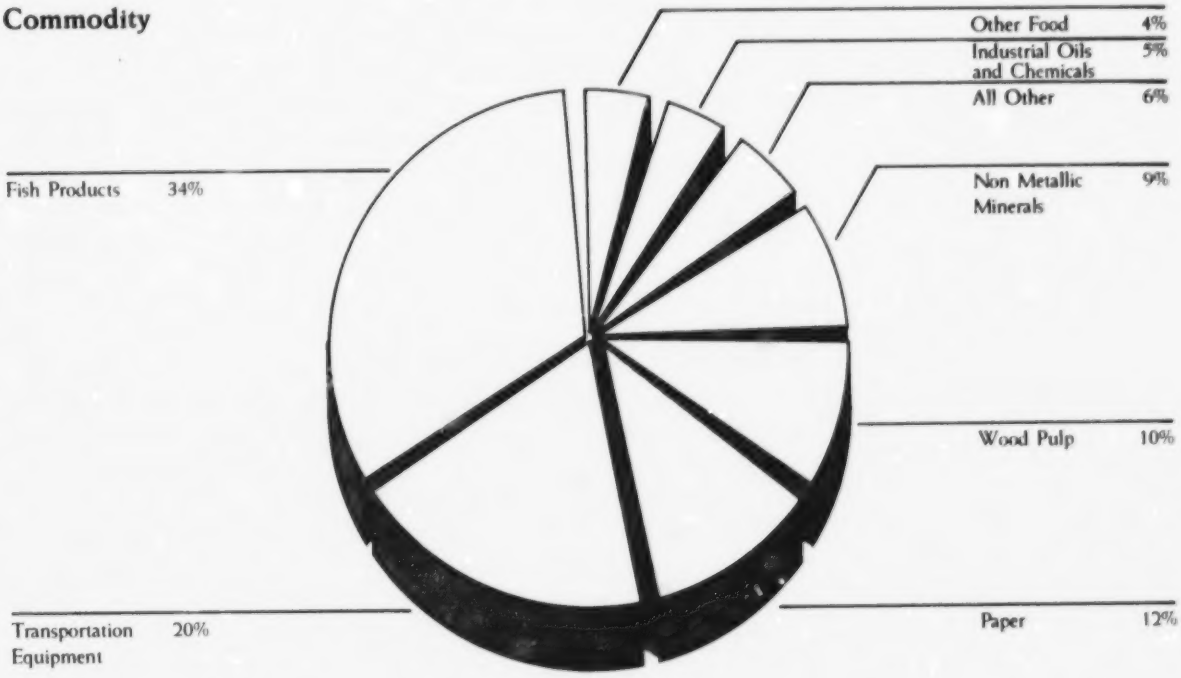
Activity associated with Nova Scotia's offshore oil and gas potential can provide a strong economic foundation from which to pursue the broader long-term development opportunities that will be needed to generate a high quality of life for Nova Scotian residents. Nova Scotia's offshore activity can provide a springboard to build a stronger overall economy throughout the province.

At present, reserves of gas in commercial quantities have been confirmed as gas production from the Venture field is likely to commence later in this decade. Together with the construction of gas transmission lines and distribution systems, the development of Venture will cost about $4 billion and provide about 5,000 jobs in Nova Scotia at the peak of the construction activity. Futhermore, exploration continues and Venture may only be the beginning of a series of developments offshore.

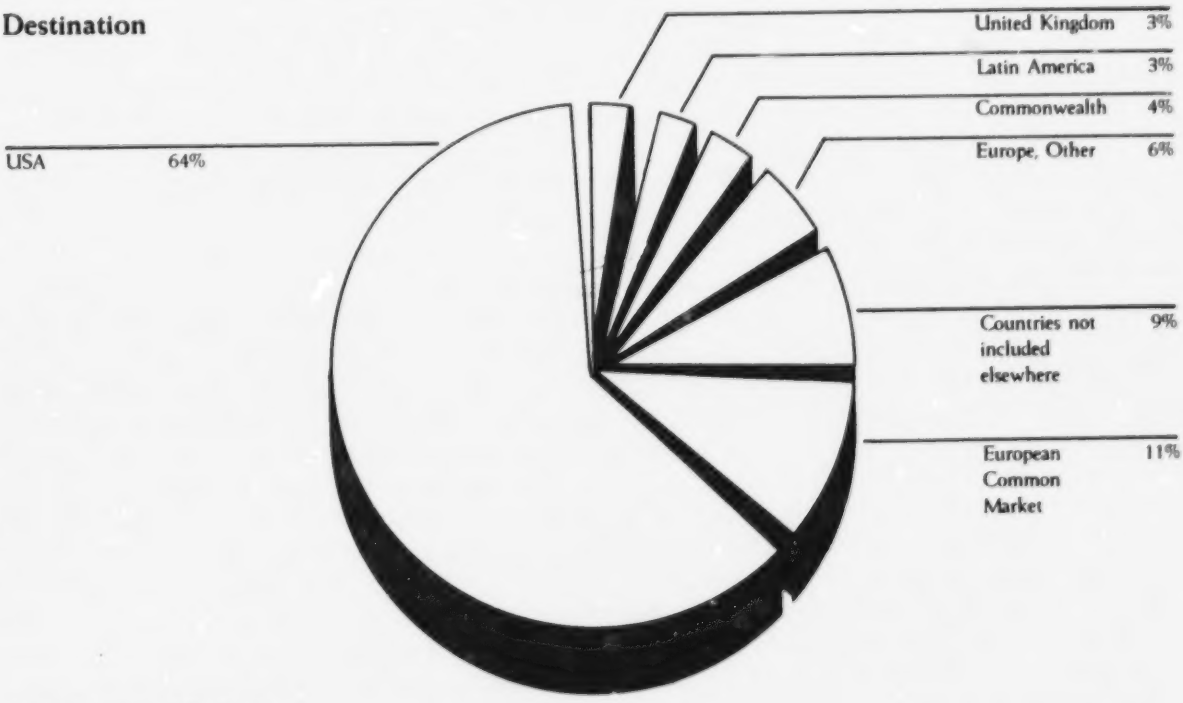
Nova Scotian Exports 1982

Figure 2

Commodity



Destination



Source: Department of Development

The provincial government has already taken steps to maximize the benefits accruing to Nova Scotians from offshore resources. In 1983, over 65 percent of the jobs offshore were held by Nova Scotians, and this figure is expected to rise further. Moreover, since this is a new industry for the province, the ability of Nova Scotians to participate can be increased. Government and industry are already working to ensure that local skills and infrastructure are available in order that the opportunities for economic benefit are realized in Nova Scotia.

When looking at economic prospects over the long term, offshore development is not the sole source of growth in Nova Scotia's economy. It is one opportunity, albeit a very important one, among many for the province, but it alone will not provide the number of jobs needed if all Nova Scotians are to have the opportunity to obtain satisfying employment. The significance of offshore activity lies chiefly in the long-term development benefits it will generate for the Nova Scotian economy. The Government of Nova Scotia is committed to increasing the share of offshore-related activity that accrues to local firms and labour.

b. Technological Change

A major factor in the global economy, and one of great importance to Nova Scotia's future, is technological change. The impact of technological change and the strains it will place on traditional attitudes to the workplace, the home and education have been widely discussed in recent years. The effects of the microelectronic revolution are increasingly apparent — from video games in the home to robots on the assembly line. It seems that there is almost no facet of human activity that will not be affected by computers and the new communications technologies. New materials are increasingly replacing more traditional ones. For example, plastics, glass and ceramics are growing as substitutes for metal and wood products. Innovative production techniques can make smaller-scale enterprises more viable and present new opportunities for business ventures in Nova Scotia.

Nova Scotia has a growing number of firms which are either modernizing to use new technologies in production processes to make "traditional" products or are producing new technological products themselves. However, there are still many firms in every sector that face tests of their ability to survive the technology-based challenges from other parts of the world.

c. Changes in the Structure of Economic Activity

Accompanying the rapid development of new technologies is the growth in the production of services relative to goods production worldwide as a basis for economic growth and development. This shift can be attributed to such factors as the growing complexity of tax, legal and regulatory affairs which has increased professional specialization, the demand for increased social services such as health, education and general government services, and the fact that labour-saving technology has not been applied to services to the degree it has to goods production. Trade in services has been expanding as well and, excluding what are known as investment income items in the balance of payments, is now equal to over 16 percent of Canadian trade in goods. Increasingly, services and goods production are linked activities, and the development of the services sector can encourge growth in the resource and manufacturing sectors, as well as vice versa.

In Nova Scotia, the service sector is the area where most growth in employment has occurred in recent years. Certain segments have demonstrated the capacity to generate and lead growth in their own right. The hospitality industry is one such example, bringing export earnings into Nova Scotia and providing a range of employment opportunities. Business services such as consulting, data processing, and engineering are other examples, whether they are exported or used to support the expansion and diversification of local industry.

d. Shifting Patterns of World Trade

Trends in world trade are extremely important for Nova Scotia. Most importantly, we must focus on the US market which receives two-thirds of the province's foreign sales of all types of goods. While the US will continue to be a large, stable market for Nova Scotia's goods and services, a lack

of diversification into faster growing markets could mean foregone export opportunities during the decade. The European Economic Community, the newly industrializing countries and the OPEC nations have growing relative shares of world output and world income and, thus, a growing ability to buy and sell. By the mid 1980's, western Europe and North America will have about equal shares in the world economy.

A second trend in world trade is that most of the recent increase in the trade of goods has been for manufactured products, while trade in primary resource products and food has been relatively stable. This is partially a reflection of the tendency for gains in real income world-wide to translate into only marginal increases in demand for primary products, but relatively larger increases in demand for manufactured products. A further development is that, in most industrialized countries, the production of manufactured products is becoming increasingly specialized, giving rise to faster growth in international trade.

With foreign exports from Nova Scotia valued at $1.2 billion in 1982, the rising threat of protectionism is worrisome. Under the General Agreement on Tariffs and Trade, formal tariff barriers are being lowered worldwide. By 1988, for example, 80 percent of Canada-US trade will be duty-free. However, governments are increasingly resorting to informal non-tariff barriers to protect domestic industries, or are subsidizing exports. The formation of trading blocs also threatens to restrict Nova Scotia's access to markets in various parts of the world.

3. The Challenge of Competition

The challenge to Nova Scotia from the changing world of the 1980's can be summed up in one word – competition. There is rising competition in local and world markets for a wide variety of both goods and services. The fact that international trade in manufactured goods is on the rise at a time when the ability of Canadian industries to compete successfully is limited by a poor performance record in productivity makes the situation particularly alarming.

Productivity is a measure of how effectively various inputs are used in production processes, and it refers to a country's ability to compete relative to others on a wide variety of factors. Because it is usually measured statistically as output per man-hour, productivity is sometimes misinterpreted as a measure purely of labour quality. In fact, productivity performance is an assessment of management, material inputs, production techniques, labour cost and skills, transportation, research and marketing.

Canadian and US productivity performance has been well below that of most industrial nations since the early 1970's. Between 1971 and 1981, for example, manufacturing output per man-hour increased by 24 percent in Canada compared to increases of 98 percent in Japan and between 50 and 60 percent in Italy, West Germany and France. Canada's poor productivity performance has been attributed to a range of factors, including the impact of higher inflation rates, deceleration in the growth of capital relative to the growth in labour, decreased spending on research and development, and cyclically weak demand. Regardless of the reasons behind the poor performance, unless the productivity of Nova Scotian firms can match or exceed that of their competitors, the likelihood of long-term economic success is limited.

The value of the Canadian dollar also has a critical bearing on competitive prospects for Nova Scotia. Exchange rates have been a volatile element of the international trade scene since the early 1970's. A low exchange rate improves competitiveness by making exports cheaper to foreign purchasers and imports more expensive domestically. However, the exchange rate is only a balancing mechanism over which Nova Scotia has no control. It cannot be relied upon to improve competitiveness over the medium to long term.

Looking at the direct competitive challenges from abroad, it is clear they will be formidable. Newly industrializing countries such as Korea and Taiwan are becoming increasingly important as suppliers of manufactured goods on international markets. They are moving away from labour-

intensive, lower-skilled production to more capital-intensive, technologically advanced goods. Many have built competitive strength without any advantage in raw materials and even, in some cases, without a large domestic market. Some less developed countries, taking advantage of low-cost labour and exchange rate advantages, are growing in importance as suppliers of those manufactured goods that employ well-known, labour-intensive methods or, taking advantage of their resource base, are competing for natural resource sales in areas such as minerals, wood fibre and certain agricultural products. Some oil-producing countries are using their resource advantage and foreign exchange earnings to diversify into areas such as petrochemicals with massive public investments. Most western countries, including the USA and EEC countries, are restructuring their economies, often taking concerted action to protect ailing industries and to support newer "high technology" industries. Other countries, such as Japan, are attempting to spur their already well-performing economies with leap-frog advances in areas such as new industrial materials, advanced computers, and biotechnology.

In addition to the competitive challenges posed from abroad, other Canadian provinces compete with Nova Scotian producers in our domestic and foreign markets. For example, as the energy sector grows, Canadian suppliers are using their established market power and historic ties with the energy industries to take advantage of the considerable new market possibilities in Nova Scotia. In other domestic sectors such as the construction business, Nova Scotians have competed for many years with other Canadian suppliers, often without reciprocal access to other provinces' markets. However, Nova Scotia believes that prosperity and profits are built on open trading links and head-on competition with other provinces and with the rest of the world.

II The Need for Competitiveness

The aim of this development strategy is to accelerate improvement in income and employment opportunities for Nova Scotians. Of course, this cannot be sought in isolation. There must be a balance with social, cultural and environmental concerns. What is required are economic development initiatives directed at increasing aggregate production through investment in new industries and in technologically advanced production processes and products. A higher level of output will generate more employment opportunities, and a higher level of employment implies higher total income.

Improved international competitiveness is the key to raising aggregate production. Only if individual firms are able to compete with the imported products and sell their products in markets outside the province, will they be able to grow and prosper. Many Nova Scotian firms have the potential to enhance their international competitiveness and expand. New firms can also be expected to establish operations in Nova Scotia in response to an attractive investment climate in the province.

Improved economic performance through greater competitiveness will have advantages for Nova Scotians beyond income and employment growth. It will permit individuals and firms in the province to be more economically independent. With higher levels of employment and incomes, Nova Scotians will be less reliant on government programs for their well-being. Similarly, by being more competitive and profitable, individual firms should be less likely to need government assistance. Higher incomes for individuals and the corporate sector will increase the fiscal capacity of the province. In turn, this should improve the ability to balance spending on public services with public revenues and should reduce the dependence on federal transfers over which the provincial government has little control.

Competitiveness is the key to achieving the aim of the province's development strategy. It must be the goal of firms if they are to be successful in the highly specialized and interdependent world that will characterize the business environment of the future. As Nova Scotians, our performance must match or exceed that of our competition. The provincial government believes that policies and programs that assist the private sector to be competitive are the most effective means of achieving economic progress.

For the provincial government, the "bottom line" is improved employment opportunities in the Nova Scotian economy. However, regardless of its social merit, employment creation has little directly in common with a firm's balance sheet. Employment levels are really an indication of the level and type of economic activity in the province. Nova Scotia is determined to avoid any temptation to concentrate on addressing symptoms. A sound strategy for development looks beyond symptoms to identify and remedy the basic weaknesses in the economy. Enhanced competitiveness is the target through which Nova Scotian firms and individuals will realize economic success.

III Private Initiative: The Key to Enhanced Competitiveness

Nova Scotian firms operate in the world economy. Because their business rivals may be anywhere on the globe, local companies cannot depend on local markets being protected or assured. Businesses in Nova Scotia must outsell and outperform for competition through sound management, effective marketing, superior productivity and better products. Some local companies are very successful at adapting to swiftly changing market forces. Many others must develop the ability to capture new opportunities quickly and to become aggressive marketers.

Firms can build competitive strength in two ways.

Competitiveness is most commonly associated with cost advantages. Firms seek the combination of inputs which allows them to deliver a particular product or service at the lowest price to the purchaser. For firms operating in Nova Scotia, competing on the basis of cost advantages is difficult because competitors elsewhere often have larger endowments of natural resources, cheaper labour or a larger domestic market.

A second avenue to competitive strength is followed by firms that emphasize goods, services or production techniques that are of superior quality or are unique. For these, demand is relatively insensitive to price. Competitiveness is instead based on quality, design and other non-price, purchaser preferences. In some instances, firms in Nova Scotia have carved out a niche for their products where there is essentially no direct competition.

Nova Scotian firms face difficult problems in building their competitiveness. They lack, for example, access to a large domestic market such as American companies enjoy. The competitive challenge is compounded by the massive government subsidies and protective actions provided for industries throughout the world which Nova Scotia cannot match.

However, Nova Scotia does have real strengths on which to build. There is a highly motivated, educated and stable labour force. The quality of industrial infrastructure, such as roads and ports, is high and in many cases utilization is below the norms elsewhere. Stable government and a desirable way of life make the province an attractive location.

With regard to specific industries, Nova Scotia has a strong orientation towards the sea and it is well placed in the trans-Atlantic shipping system. It is a natural staging area for ocean-related activities of all types. As well, Nova Scotia enjoys a good reputation for distinctive and quality products -- from blueberries to navigational aids to educational services -- a reputation on which it can build.

Companies themselves have to decide where their competitive advantage lies. Strategies to minimize the risks and maximize the returns can involve new production techniques, specialized products, sensitivity to changes in technology, and continuing market intelligence to anticipate and take advantage of market conditions.

Whether they are in the resource, manufacturing or service sectors, Nova Scotian firms must increasingly concentrate on products that are most likely to compete successfully in Canada and the world marketplace. Some of these products may be based on cost and price advantages, but in many cases they will be based on product specialization -- that is, on product differentiation, on quality or on capturing a portion of a specialized market.

In specialized product areas, competition is likely to be less intense and the scale of production is likely to be smaller and more appropriate to the size of the Nova Scotian economy. In highly specialized product fields, it should be possible for Nova Scotian firms to become expert, and even world leaders. This applies to firms in virtually all sectors, not just to a handful in manufacturing or high-technology.

The leading role in building competitive advantage must be played by companies themselves. While government actions can be supportive and stimulative, government alone cannot do the job for the business community. Creating a business climate which encourages and strengthens the competitiveness of firms throughout the province is a high priority of the government of Nova Scotia. The policies outlined in this paper will help firms and individuals achieve better competitive ability and performance.

IV Building on Human Resource Strengths

People and their attitudes and skills are the critical factors in competitive success. Japan is a country poor in raw materials and remote from western markets. Today, Japan is a world economic leader because of its people and their ability to organize, cooperate and manage both capital and technology. Management skills, entrepreneurial instincts, craftsmanship, research abilities and educational resources are the factors that provide firms with their edge over the competition.

1. Strengthening the Work Force

Nova Scotia's many training facilities and educated labour force are significant assets. The workplace, however, is going through a period of transition and two critical areas require immediate attention. First, skill shortages are already limiting business activity and consequent employment opportunities. The demand for skilled labour generated by offshore gas development will exacerbate these shortages in coming years. Advanced skills in product fabrication, machining, and certain engineering occupations are in particularly short supply. Unlike the situation during the 60's or even the 70's, Nova Scotia's current shortages closely match national trends. Indeed, for many skills, the shortages are international in scope. The situation is particularly intolerable because these shortages coexist with high levels of unemployment. People are available, but they do not have the required skills to fill existing and future vacancies.

Secondly, Nova Scotia must respond to the challenge of micro-electronics and other technological innovations in the workplace. Employment opportunities for highly skilled professionals, technicians and technologists will expand while the relative growth in jobs at the lower skill levels will decline. Nova Scotians must be trained, or retrained, to take full advantage of these opportunities. The rapid pace of technological change is increasing the rate of changeover in skills. It can no longer be assumed that training received as a youth will be sufficient to carry through a person's working life.

a. Focus on Manpower

Governments in Canada fund a vast array of education and manpower programs, resulting at times in a complex and costly duplication of training activities. As industry involvement in the design and delivery of courses is limited, training is often inconsistent with the needs of employers. The creation of the Nova Scotia Department of Labour and Manpower was one step toward improved coordination of manpower development activities within the provincial government. Further initiatives will be taken to achieve this objective. **Improved coordination of existing training activities will be achieved through the combination of vocational and technical training functions of the Department of Education. To direct the Department's focus on these key activities, they will be placed under the responsibility of a Deputy Minister of Vocational and Technical Training.**

The key to a successful training system lies in the ability to accurately identify and respond to the needs of prospective employers. This requires a commitment to develop strong ongoing links with the private sector in combination with technical skills for manpower needs assessment and planning. **To strengthen the research and planning function within the Department of Labour and Manpower, the position of Deputy Minister of Manpower will be created.**

Increased staff support will be provided to this critical area. The Deputy Minister of Manpower will be responsible for the preparation of annual manpower plans to guide provincial training activities.

Post-secondary education has also been experiencing a period of transition. Burgeoning costs, shifting enrolment patterns and changing teaching technology are placing pressures on academic institutions throughout Nova Scotia. The role of the provincial government in the area of post-secondary education is being examined by a Royal Commission and recommendations for further initiatives in this area may emerge when the Commission reports in 1984.

A Human Resources Development Committee consisting of senior officials of Education, Labour and Manpower, Development, Policy Board, and Social Services will be established to coordinate provincial manpower policy and program delivery. Chaired by the Deputy Minister of Manpower the committee will address the need for labour market research to anticipate skill requirements, career counselling, and enhancement of the flexibility of the training and education system to meet the present and future needs of the workplace. The committee will provide an important forum to discuss provincial training priorities which will strengthen and continue successful federal/provincial initiatives under the Joint Committee on Labour Market Needs for Nova Scotia.

b. Industry Involvement in Training

Employers must expand their investment in training and retraining activities. Strong contacts between employers and educational institutions are needed. As a first step, more firms must develop the ability to assess their future skill requirements in order that appropriate training can be provided. **The provincial government will promote and assist with the design and implementation of manpower planning systems within the private sector.**

A provincial manpower survey revealed that more than 50 percent of Nova Scotian manufacturing firms give training a low priority. Industry's reluctance to train and plan for manpower requirements is often matched by its reluctance to work with educators, instructors and government officials in remedying problems with manpower training and placement programs and policies. The private sector must accept greater responsibility for expanding and improving the quality of its training and development programs. Organized labour also has a strong role to play in facilitating skill upgrading and retraining among its membership. **In conjunction with the private sector, the provincial government will place particular emphasis on cooperative education programs.** Other areas for increased private sector participation include promoting educational leave programs among employees and launching industry-specific training programs through industry associations.

For its part, the educational/training system must strengthen its links with employers through such means as organizing advisory committees made up of business people, designating school staff as industry liaison officers, or encouraging industry-institution personnel exchanges and sabbaticals in industry for instructors. The Provincial Manpower Board is an important voice of the private sector on manpower issues. **The Provincial Manpower Board will be asked to report to government on ways to increase industry's and labour's input into provincial training activities. In particular, the Board will be asked to consider the benefits of establishing a network of regional advisory committees throughout Nova Scotia to strengthen the ties between educators and the private sector. To further its ability to advise government on manpower issues, the Deputy Minister of Manpower will provide research and analytical support to the Provincial Manpower Board.**

c. Special Needs of Youth

High levels of youth unemployment are a serious problem throughout Canada and in many other countries. The Government of Nova Scotia finds this situation of particular concern.

While some of the high unemployment among youth reflects rapid growth in the youth

labour supply during the 1960's and 1970's, which could not be adequately absorbed by the job market, other factors that contribute to disproportionately high unemployment rates can be addressed by a concerted effort by government and the private sector. First, a lack of work experience often makes it difficult for youth to secure employment. Initiatives such as cooperative education, internship programs and on-the-job training provide opportunities for young people to gain work experience which will enhance their employability.

Secondly, limitations in education and training can make it difficult for young people to compete successfully in a competitive job market. The problem is particularly acute for those who drop out of school before completing their education. Training and upgrading programs can significantly improve their prospects.

Finally, young people are now giving more thought to their employment prospects prior to graduation. Career counselling should be encouraged early in the school system to inform students of job opportunities and educational requirements in order that they structure their course selections appropriately.

The Government of Nova Scotia will direct special attention to the employment problems being experienced by young people. Youth-oriented activities within the province will be coordinated, and training and employment initiatives for young Nova Scotians will be designed which will ease the transition into technical education and between school and the workplace.

To coordinate youth-oriented activities of the provincial government, a youth initiatives office will be established in the Department of Labour and Manpower. Under the responsibility of the Deputy Minister of Manpower, the youth initiatives office will consult with youth on the design and delivery of training programs and will develop a strengthened career counselling service for youth, based on the Department of Labour and Manpower's expanded research and planning capabilities.

2. Emphasizing the Management Function in Nova Scotia

Through its responsibility for the finances, manpower, marketing and production of a firm, management plays the central role in determining the productivity and profitability of an enterprise. For the past several years, the government has stressed the need to improve management methods in Nova Scotia, and further work has highlighted both the need to strengthen the management function and the specific skills that are required by managers in the 1980's. Most importantly, management must become more outwardly oriented, developing the capacity to perceive changing circumstances and to respond quickly. In addition, the ability to make the best use of human resources and to balance short-term issues with an awareness of future prospects for long-term profitability and reinvestment will lead to changes in management technique.

a. Management Training

A special committee of government found that managers were often unaware of the value of management courses, particularly the managers of firms outside the cities and those in smaller firms. This stems at least in part from a failure to demonstrate the value of management courses in terms of increased productivity and profitability.

The government will proceed with further initiatives to promote management development. Personnel in all provincial and municipal government offices who deal directly with the business community will be updated on the range of training courses available in order to direct their clients to the most appropriate assistance and to heighten awareness of the assistance available. Businesses seeking government assistance will be encouraged, where appropriate, to improve their management skills.

In addition, the Nova Scotia government will continue to encourage the federal government to sign a joint agreement on management development to provide funds for the promotion and development of management training courses in Nova Scotia. This will continue the work initiated under the Canada/Atlantic Provinces Management Training Agreement which has now expired.

b. Advisory Services for Management

Counselling and advice from business colleagues or management consultants is an effective method of improving management skills. Several government programs provide assistance of this nature, including the Consulting Assistance Program and Business Advisory Services of the Department of Development, the Farm Management Extension services of the Deparment of Agriculture and Marketing, the training and field services of the Department of Fisheries, the Private Land Forest Management program of the Department of Lands and Forests and the Industrial Development Division of the Department of Tourism. **The Government of Nova Scotia will place greater emphasis on the provision of advisory services to managers and will adapt these services to meet the changing needs of specific firms.**

Private sector organizations play a key role in providing support for management development. Industry associations and community development organizations should offer opportunities for informal discussions on management issues, sponsor management courses tailored to the needs of their membership and promote efficient and competitive management practices. Self-help mechanisms, which mobilize private business people with different areas of expertise to advise a company on a range of business situations, are beneficial sources of business-specific advice, knowledge and expertise. **The Government of Nova Scotia will further support self-help efforts for management development in the business community.**

3. Innovation: Using Technology Effectively

Technological innovation is imperative to achieve increased competitiveness. New techniques in the office, the store and the factory, can lower costs and increase the efficiency of an operation. Products incorporating advanced technology can out-perform and out-sell competing products. Entirely new products and services based on new technologies can do remarkably well in the marketplace. The world is now in a period of technological transformation. Computers, other microelectronic devices, and new communications technologies are becoming pervasive. Biotechnology is revolutionizing industries such as pharmaceuticals and plastics. Knowledge, skills and information are increasingly important elements of production.

Innovation is very much a reflection of people's attitudes and abilities. A small enterprise supplying "traditional" products can be as innovative as a large "high-technology" firm if managers and employees keep themselves up-to-date on the latest developments in their field. Firms in Nova Scotia vary widely in their level of technological interest and sophistication. It is necessary for more businesses in the province to become technologically aware and confident to compete successfully in world markets.

Innovation can involve the adoption of new technology developed by others for application in a firm's own production activity. Nova Scotian firms need to use the latest technologies and techniques effectively, and licensing and joint venturing are often good ways to acquire or sell new technological expertise. For example, many local firms wanting to cultivate the offshore oil and gas business are finding that a connection with an established, experienced firm is useful for developing contacts and acquiring technology.

Innovation can also involve in-house research and development (R&D) leading to new products and methods. R&D is active in Nova Scotia, but it is confined to particular pockets of activity. Many companies in Nova Scotia do not do their own R&D and this is not always

necessary. However, a few Nova Scotian companies spend up to 15 percent of sales revenue on R&D and have striking results to justify this expenditure.

In recognition of the importance of innovation to Nova Scotia, the Minister of Development appointed a Task Force on Research and Technological Innovation to make recommendations on initiatives that would encourage more privately managed and supported R&D. The Task Force was made up of industry, university and government members and on its recommendation, many of the following policy initiatives will be taken.

a. An Innovative Environment

In Canada there are tax write-offs and tax credits available to encourage firms to undertake R&D. **Since Nova Scotia realizes that the tax system has a major impact on innovation, it is the intention of this government to extend a tax credit for scientific research in industry to the provincial portion of corporate tax. Nova Scotia also intends to amend its Tax Act to extend a sales tax exemption to machinery and equipment used in research and development.** In addition to these initiatives recommended by the Task Force, the province will urge the federal government to broaden the definition of scientific research for taxation purposes to include more elements of the innovation cycle, extending beyond R&D to include related aspects of design, engineering and marketing.

An economic climate that favours growth and profits and that supports successful risk-taking by business can do much to encourage the innovative endeavours of companies. Progressive regulations can provide business opportunities, opening the door for new products and services. On the other hand, one-sided, overly cautious regulations can in some cases act as barriers to finding new solutions to problems, can delay innovation, or can bias technological development along regulation-induced paths.

Developing new products or adopting new methods is risky and can be an expensive business. Through the province's Venture Capital Program and the Venture Corporations Act, the amount of high-risk, equity financing available to provincial companies has been increased. The particular strength of this program is that private sector decision-making on investment and risk-taking is relied upon to direct capital to where private investors feel the best result can be achieved. The Government of Nova Scotia will strengthen the Venture Capital Program.

b. Government Assistance

The Report of the Provincial Task Force on Research and Technological Innovation points out that considerable support is available to innovative companies in the form of both tax incentives and federal and provincial direct assistance programs. There are programs available to help in the development of new products and processes, to undertake joint R&D projects with government laboratories, to adopt microelectronic devices to manufacturing and resource processing businesses, and to modernize in a number of sectors. Firms should make maximum use of the programs and incentives that exist. **The provincial government will expand those programs, financial and tax incentives, and services that encourage technological innovation in response to demand from the private sector.** For instance, support under the Product Development Management Program, which contributes to innovative product design in industry, will be increased.

The Nova Scotia government is also working with the federal government to cost-share programs and fund facilities that encourage innovative development in manufacturing and service industries. This effort emerges from the recognition that all sectors of the economy of Nova Scotia can benefit from technological innovation, and is reflected in the federal-provincial agreements that are already bringing significant technological improvements to the agriculture, forestry, mining and pulp and paper industries in Nova Scotia. Recently, the Nova Scotia government provided funding for a Computer Aided Design (CAD) centre at the Technical University of Nova Scotia as part of the province's commitment to advancing technological innovation.

c. Information and Technology Transfer

Technology need not be as intimidating as it may seem to many companies. There are a number of government-supported "innovation centres" that can help. The province has an impressive complex of scientific and engineering research and teaching institutions which undertake world-renowned work in areas such as oceanography, fisheries technologies, defence, coal production, microelectronics, agriculture and medicine. The universities and the research establishments should work closely with industry to translate laboratory findings into marketable products or improved processes. The Government of Nova Scotia supports the R&D institutions through its assistance to the universities and the Nova Scotia Research Foundation Corporation (NSRFC).

Critical to effective innovation throughout the province is the flow of ideas and information. Technology transfer is the process by which techniques and technologies move from one application to another. The NSRFC, in particular, has a good relationship with many provincial industries and a mandate to transfer technology. **The Nova Scotia government will continue to support the Nova Scotia Research Foundation Corporation. In addition, the province is designating NSRFC as the centre responsible for advising the government on scientific research and technological innovation in relation to development policies.** To further strengthen the linkage between technological and developmental policies, the Deputy Minister of Development will be appointed to the Board of NSRFC.

Since the transfer of technology out of government and university laboratories into industry is so important, **methods of increasing the flow of scientific and technological information among businesses and research institutions are being developed.** For example, the appointment of industry liaison officers in research institutions and giving them a responsibility for disseminating knowledge and for technology transfer will be considered.

An area gains a reputation for being innovative and energetic because of its people. In Nova Scotia, our greatest assets are the individual farmers, fishermen, business managers, workers and researchers who develop and use their abilities in imaginative, constructive and profitable ways.

V Improving the Business Environment

The competitiveness of firms is vital to the economic development of Nova Scotia. The government will ensure that its activities as they affect the business sector are conducive to competitive success. These include taxes, regulations, government purchasing practices, the role of crown corporations, trade development initiatives, and assistance to business. There are positive steps which must be taken in Nova Scotia to improve the business environment, although many of the tools, including many tax and regulatory measures, are beyond the influence of a single provincial government.

A key ingredient of a business environment that will enhance competitiveness and encourage entrepreneurship is a feeling of certainty about the extent and type of role that government will play.

1. Rewarding Success

The prospect of a return on investment is an essential precondition of business activity. The tax regime impacts on business profit and, therefore, merits close attention.

Corporate income tax is most directly associated with the business environment. In Nova Scotia, corporate income tax is calculated under a national formula designed by the federal government and is collected for the province by Ottawa. Although the provincial government can change the tax rate, other changes are difficult because they affect the formula. Nova Scotia can do little to ease the complexity of the corporate tax system, except to use every possible opportunity to exert influence on the federal government to address the situation. Because the cost of setting up its own collection system would be prohibitive, it is unreasonable for Nova Scotia to consider opting out of the joint tax collection arrangement, as have Quebec, Ontario and Alberta.

Other tax measures also influence business in Nova Scotia. Some affect business directly, like property tax and business occupancy tax. Others, such as personal income tax and sales taxes, affect business indirectly through their impact on individuals as employees, investors and consumers. Quebec, for example, allows individuals a tax deduction for approved investment in Quebec-based companies as a way to funnel personal savings into investment. Making investment funds more readily available through such mechanisms can make the business environment more attractive. At present, Nova Scotia lacks not only provincial investment tax credit mechanisms, but also the securities market that may be required for it to function.

The tax system is a constant target for scrutiny and adjustment. Too often, these changes occur in a piecemeal fashion with little appreciation of their overall impact on the business environment. **The Government of Nova Scotia will establish a Task Force on Investment and Taxation to carry out a comprehensive review of all tax levers (provincial and municipal) available to stimulate investment.** The task force will consist of experts from the private and public sectors and will be asked to report within a reasonable period of time. Among the issues the task force will be asked to consider are the level of corporate income tax, the role of other direct and indirect taxes affecting the business environment, and ways the tax system might be used to encourage a higher proportion of savings by Nova Scotians to flow into productive investments. In addition, the task force will be asked to take into consideration the following: how to simplify the tax system to lead to a more equitable system for business and a less expensive one for government to administer; avenues for government to consult with the private sector in

drafting tax measures; opportunities for Nova Scotia to influence tax matters outside its jurisdiction; and, how to ensure that tax measures are supportive of needs in such areas as training, innovation, cooperative arrangements, and market development.

2. Regulatory Reform

Regulation seeks to fill the breach when, for whatever reason, the market is unable to allocate resources efficiently. Government has an important role to play in regulatory activities to protect the public interest: health and safety standards, consumer protection, stewardship of the environment, and the orderly operation of the market are some familiar examples.

Nevertheless, regulations can impose costs on business, the consumer and even the employee if the survival of the firm is threatened. At the most obvious level, regulation entails administrative costs -- forms, phone calls and delays. Regulation can create substantial other costs when expensive standards are imposed in areas such as product safety, pollution control and work place safety. A less obvious cost is the uncertainty created by changing standards and arbitrary administration. Finally, regulation can inhibit technological change; for example, outmoded building codes that do not take new material and design advances into account may inhibit innovation in the construction and building supply industries.

There is seldom unanimity on the merit of specific regulations since there are often legitimate interests on both sides of a regulatory issue. A particular business might find the net effect of all regulations surrounding it to be beneficial, while another might not.

The report of the Premier's Task Force on Deregulation and Paperburden (1981) concluded there was much in the system of regulations which could be improved. The Task Force recommended that an effective system of regulatory reform over the long-term must be geared to controlling the flow of new regulations.

The process of making new regulations requires that there be thoughtful and open scrutiny involving all interested parties. Careful guidelines for developing regulations should ensure that the regulation is really necessary, that the standards are appropriate and cost-effective, that alternatives are considered, and that the adminstrative burdens imposed on citizens are not greater than necessary. Since many of the problems with regulation stem from lack of information, guidelines will help ensure that government and the public are fully aware of the implications of new regulations. In addition, public contact on regulatory matters should be courteous, informed and efficient.

To improve the regulation-making process does not require new levels of approval or an army of civil servants, but it does require a focus of responsibility. Accordingly, **the government is creating an office of the coordinator of regulations that will report to Policy Board. The Coordinator will advise government on guidelines for public information and consultation and will monitor the regulatory system to ensure that these guidelines are met.**

Much also remains to be done to improve the existing system. Obsolete regulations can be eliminated and regulations can be updated. Some regulations which were needed in the past may no longer be necessary and can be active impediments to progress and change. Accordingly, **the government intends to consolidate and index regulations and then proceed department by department to undertake a systematic review of existing regulations.** In such a re-evaluation process, it should be possible to eliminate unnecessary costs of private sector activities in terms of both money and time spent dealing with paperburden.

Finally, since regulatory reform is a long-term process, **the government proposes to report periodically on its regulatory reform program.** All the foregoing commitments imply a responsibility on the part of business to provide leadership in defending and acting in the interests of the wider community, which includes every resident of Nova Scotia.

3. Role of Government in the Economy

Government's share of gross national product has grown dramatically in the post-World War II period in all developed countries. A large part of that growth has been for public goods that do not compete with the private sector in the marketplace, although they do for the economy's resources. At the provincial level, these have included in particular health, education and social services. However, government has also moved into areas that may bring it into direct competition with the private sector. Production of such goods and services is the result primarily of new crown corporations and increased "in-house" activity.

There is widespread support for the view that government in many countries has been getting too involved in the economy directly, particularly in terms of its ownership of the means of production and of its demand on the financial resources of the economy. This is a trend which alarms the private sector and is damaging to public confidence. The Nova Scotia government is sensitive to these concerns.

One of the most obvious examples of the increased role of government in the Canadian economy has been the proliferation of crown corporations. While there are a number of justifications for crown corporations, often these corporations have been established for functions that could be performed by the private sector. The 1982 report of the federal Auditor General is critical of the growth and lack of accountability to Parliament of federal crown corporations, of which there are about 300 employing more people than there are working in all federal government departments and agencies, excluding the Armed Forces and the RCMP. Although crown corporations have not played as significant a role in Nova Scotia as in some other provinces, the government is aware of the potential hazards they represent. The role of crown corporations is an area that the Nova Scotia government will monitor.

Another reason that the government sector has grown as a share of the total economy is the trend to provide itself with many of the services that it formerly purchased. In this way, opportunities for private sector activity have been diminished. In some cases, cost savings may be obtained by contracting out government services. **The Management Board will be instructed to examine, on a continuing basis, government "in-house" services that could be purchased from the private sector.** The primary criterion for the review must be a sensitivity to cost implications to ensure the most efficient spending of public dollars.

Of course, the public sector in Nova Scotia already does purchase a great variety of goods and services from the private sector. In support of ongoing economic development in the province, the Government of Nova Scotia will optimize Nova Scotian content in that purchasing. The Government of Nova Scotia's day-to-day requirements are purchased centrally by the Government Purchasing Agency enabling the purchasing system to be organized efficiently and be readily accessible to businesspeople. Similarly, many of the government's capital requirements -- for new government buildings for example -- are handled centrally by the Department of Government Services.

It is difficult, time-consuming and costly for provincial businesses to know about the purchases of all the many publicly-sponsored agencies and institutions within the province, including all three levels of government, their various departments and agencies, the hospitals, the universities and the utilities. On the other side, it is not always easy for public purchasers to know about the capabilities of local producers and suppliers.

The situation can be compared with the purchasing activity associated with the offshore oil and gas business, where provincial suppliers were often not aware of the requirements of the oil companies and their major contractors, and purchasing agents were not fully acquainted with sources of supply in the province. In those circumstances, the Government of Nova Scotia undertook to inform all purchasing agents and all potential provincial suppliers through the Industrial Benefits Office (IBO). The ongoing information program on offshore oil and gas

purchasing includes supplying advance information on upcoming needs, publishing a directory of purchasing requirements, and sponsoring buyer/supplier information exchange seminars.

The Government of Nova Scotia intends to pursue a proactive purchasing policy and extend the IBO approach to public sector purchasing. **An information program will be developed that will inform all public sector buyers and potential local suppliers of requirements and capabilities on both sides. The government will also examine the purchasing of all publicly supported bodies in Nova Scotia with a view to harmonizing purchasing and tendering practices, making access easier for small businesses and stimulating new local sources of production and supply.**

4. Expanding the Emphasis on Trade

Nova Scotia has a long trading heritage. From the end of the 18th century until the last quarter of the 19th century, Nova Scotia's economy flourished, based on trade with New England, the West Indies and Great Britain. Nova Scotian cod, lumber, agricultural products and shipping services were sold in world markets, and the province was a world trading centre.

In today's environment, trade is indispensable to economic development and prosperity. Getting into new markets elsewhere in Canada and in foreign countries is essential to increasing the competitiveness of Nova Scotia firms. This is because external markets can make longer, more efficient production runs feasible and act as an impetus to the establishment and expansion of firms. However, keener competition and trends towards protectionism are making it difficult to gain or maintain access to external markets.

Nova Scotia is not alone in recognizing the need to increase the emphasis on trade. Trade has become a principal focus of the federal government foreign policy effort, and other provincial governments in Canada are directing increased attention to trade by displaying it prominently as a function of their departments of commerce, industry or development. Nova Scotia both operates a range of trade support programs to assist Nova Scotian companies in marketing their products in the rest of the world and has taken a prominent role in trade policy-making at the national and international level. The government of Nova Scotia is committed to maintaining and strengthening its high priority on trade.

The Department of Development is responsible for the coordination of all provincial trade activities. This is carried out in cooperation with other provincial departments directly involved in marketing Nova Scotian products. **The Minister of Development is establishing a Provincial Ministers' Committee on Trade including initially the Ministers of Fisheries, Agriculture and Marketing, and Lands and Forests. A committee of senior officials from the same departments will act as an advisory group to the Ministers' Committee.** The main purpose of these committees is to refine departmental marketing efforts outside the province in order to guarantee the most professional approach to selling Nova Scotian products, to ensure the maximum effective use of tax dollars, and to assist in the joint planning efforts between the province and the federal government.

The development of markets for Nova Scotian goods and services rests mainly with the companies themselves, however, the federal and provincial governments play a supportive role. The province helps to promote exports of Nova Scotia's products through the trade and marketing assistance services offered by the Market Development Centre of the Department of Development. The government also makes available to firms a great deal of trade information to reduce uncertainty and complexity for exporters. This assistance can be especially vital to smaller firms. The establishment of a World Trade and Convention Centre in Halifax, which has been supported by the government of Nova Scotia, will augment the availability of trade information and services.

In addition to its trade promotion and marketing information activities, the Province of Nova Scotia plays an active role in trade policy-making. The federal government holds ultimate responsibility for Canada's international trade policy. Recognizing Nova Scotia's dependence on a

healthy trading environment, however, the government of Nova Scotia actively represents its economic interests to the federal government at every available opportunity. Nova Scotia supports the basic thrust of the Canadian position that a stable, multilateral basis for world trade is essential for prosperity.

The Government of Nova Scotia is committed to working closely with the federal government in export promotion activities and in trade policy matters. A recent federal document *Trade Policy for the 1980's*, strongly endorses cooperation and coordination with the provinces on trade matters. **Recognizing that there is considerable scope for joint action in trade promotion, the Nova Scotia government is actively negotiating a federal/provincial subsidiary agreement on trade and marketing.** Joint initiatives are being considered to develop exporting skills, encourage product diversification, expand market exposure, and increase access to export information. All of these initiatives would assist Nova Scotian firms to become more competitive in external markets.

All trade activities of the provincial government -- supporting private sector marketing initiatives and representing the province's interests in trade policy-formulation -- require planning and coordination with the private sector. The Government of Nova Scotia is committed to continuing consultation and cooperation with the private sector in export development and trade policy. **To expand the interaction between the private sector and government, Voluntary Planning will be asked to provide input on an on-going basis to the Provincial Ministers' Committee on Trade.** Several years ago, Voluntary Planning was instrumental in helping Nova Scotia articulate its position in the Tokyo Round of multilateral trade negotiations. This is the kind of valuable dialogue that the government of Nova Scotia welcomes and strongly encourages.

5. Reorienting Government Assistance to Business

Throughout the world, governments provide financial assistance to individual firms to achieve economic and other, broader, public objectives. There is a definite role for the Nova Scotian government to play in creating an environment in which the private sector can grow, create long-term employment opportunities, improve incomes and meet economic challenges from elsewhere. Sometimes, the sheer magnitude of a project seems to necessitate government investment or support. In other instances, an important "infant industry" needs assistance until it is firmly established. At times, existing firms are aided to avoid large-scale unemployment resulting from a plant closing. The latter is moving into the area of social concern as distinguished from economic rationalization.

When the basis of government assistance to business is not clearly spelled out, uncertainty results. Is public money being spent wisely? Do the same rules of the game apply to everyone? Will these rules remain stable over time? To ensure that these questions are answered in the affirmative, the government has set out the following policy guidelines.

Provincial support to businesses in Nova Scotia will be based on our long-term objective to have a healthy, competitive and self-reliant private sector. The following six guidelines will be used in the design, administration and review of industrial aid programs and measures, both new and existing. These policy guides are not necessarily a departure from traditional means of designing and deciding on assistance measures, but they are set down here explicitly so that they can be widely known and understood. The Government of Nova Scotia believes that business assistance measures should be used to improve our competitiveness, rather than propping up inefficient firms or businesses that have little chance to be profitable.

(1) The potential competitiveness of a firm is the most important determinant of eligibility for assistance. Economic assistance should be based in the first instance on economic criteria. Often economic and social objectives are combined, with the result that neither objective is fully attained. The government believes that economic assistance must above all be effective in helping Nova Scotian firms develop internationally competitive products and services, both for

export and for displacing imports. While jobs and incomes and their impact on the viability of particular communities are important, in the long-term they can be assured only by having profitable firms that survive and prosper in the face of international competition. Potential competitiveness is difficult to measure, it is true, but its importance can be emphasized by having applicants for assistance focus on such elements as management and marketing competence, the level of equity participation, product lines and the capacity to modify them, and the company's commitment to tecchnological advancements – all in terms of what they mean for the applicant's competitiveness.

(2) Assistance programs will be available in all economic sectors. It will not be denied because of an advance judgement by government that a particular sector or a particular industry grouping is incapable of growth and development. Possibilities for developing competitively successful products and services exist in many industries. It is a mistake to think that most opportunities lie in only a select group of economic sectors. Many governments around the world are now emphasizing "high technology" sectors and especially the microelectronics industry. In Nova Scotia, the government feels that any sector, any industry or any firm can incorporate advanced technology, or adopt microelectronic devices in products, services or processes, regardless of the sector to which it nominally belongs. Although growth in employment in recent years has been primarily in the services sector, growth in output has taken place and profits have been made in the primary and secondary sectors as well. The resulting wealth generated spreads to create jobs in other industries linked to the profitable firm as suppliers of inputs or users of outputs. The government does not believe it should try to pick "winning" sectors, but rather that competitive success can arise anywhere.

(3) Access to assistance programs will not be affected by the size of the firm making the application. Small and medium-sized firms are often referred to as the cornerstone of the private sector. They have been a major source of growth in the economy in recent years and they have a dynamism and flexibility that large firms often lack. Efforts will be made to ensure that industrial assistance is more readily accessible to smaller sized firms.

(4) Government assistance will be limited to being short-term in nature. Long-term assistance tends to breed dependency. Long-term assistance is thus less likely to generate competitiveness, and may well end up being a considerable expense to the taxpayer. For this reason, time limits will be placed on the period of eligibility for assistance. In addition, specific assistance programs will themselves be established for well-defined periods of time, and will continue to operate only after a detailed assessment has proven their effectiveness.

(5) Government assistance will be designed so that maximum possible use is made of the private financial marketplace. Government assistance in the past has taken a variety of forms, including loans, grants, equity participation, loan guarantees and venture capital corporations. Certain types of assistance fall clearly within the purview of government, such as grants and loan guarantees, while others are more closely associated with private sector sources of funding, for example loans and equity participation. Government should minimize its overlap with the functions of private sector financial institutions. This approach will ensure that scarce public funds are used more efficiently.

(6) There should be a high likelihood of public payback within a relatively few years. The purpose of government assistance based on economic criteria is clearly to assist in the support and establishment of businesses with competitive product lines, thus enabling them to earn profits. When a firm is earning a profit, it becomes liable for payment of corporate income tax to the province. The prospect should be that over the long-term, the direct tax will exceed what the government has spent on assistance.

The foregoing criteria may not be completely consistent with certain programs now in existence. For this reason,**a special committee will be established by the Minister** of

Development to review existing provincial and municipal assistance programs to business in light of the guidelines. The Union of Nova Scotia Municipalities will be invited to participate in considering the implications of the guidelines on municipal assistance programs. The committee will have private and public sector representation and will be asked to report within six months of its establishment on ways to reduce the number of programs and simplify their application procedures. This process of consolidating and simplifying programs will be an important first step in improving the relevance of government assistance to business for the purpose of building competitiveness.

6. Beyond Direct Financial Assistance

Sometimes there is a tendency to place too much weight on direct financial assistance such as government grants and loans in the overall role of government in the economic sphere. Tax measures, such as special write-offs and tax credits, can be a very effective means of providing assistance to business. Government also provides another important form of assistance by working closely with business and labour to address and resolve problems.

Because of its resources, government is often in a position to provide critical information which business, especially smaller firms, may have difficulty obtaining. Information may be required pertaining to such things as product development, scale of production, training programs, and marketing.

The Government of Nova Scotia has for a number of years provided such information to business. The regional offices of the Department of Development and the Industrial Benefits Office have this function as important parts of their mandates. Departments such as Agriculture, Fisheries, Lands and Forests, Tourism, and Mines and Energy also do this in their areas of specialization. **The government is committed to strengthening its advisory services function to improve its capacity to assist in business opportunities and problem areas.** This assistance can be an important contribution to business success.

Nova Scotia's economic outlook for the 1980's and 1990's demands changes in the decisions and actions which affect economic activity. The challenge is to ensure that government actions are a force for growth. Some of these changes are already apparent and underway in Nova Scotia.

The Government of Nova Scotia is committed to improving the business environment throughout the province by reducing the regulatory burden, ensuring that incentives for investment are in place, eliminating those areas where government competes with industry, increasing the emphasis on trade, and instilling greater flexibility and responsiveness into government assistance.

VI Working Together

Competitiveness is strengthened when all the actors on the economic stage work together. Valuable resources are wasted by duplication of effort or by working at cross purposes. The exemplary record of cooperation through the Voluntary Planning Board is one example of the effective sharing of information and ideas. Government's commitment to further consultation and cooperation will benefit all facets of economic life in the province.

1. Cooperation Among Governments

Cooperation among different levels of government is essential to an efficient economy. The Canadian experience demands an overlap of responsibilities among governments, particularly where they touch the world of business. Intergovernmental rivalries can be counterproductive both to business and to government.

Nova Scotia supports the concept of maritime regional cooperation especially through the Council of Maritime Premiers. In areas such as science policy, procurement and education, the Maritime Provinces have shared information and resources to develop consistent and coordinated policies. The Government of Nova Scotia will pursue additional opportunities for Maritime cooperation to prevent unnecessary duplication and present a stronger, unified voice on issues of regional significance.

Nova Scotia's relationship to the federal government merits special attention. Federal expenditures and net federal transfers amounted to 36 percent of gross domestic product in Nova Scotia in 1981. Prominent among these federal contributions to the provincial economy are equalization and unemployment insurance payments. Essential as these funds are, they make little overt contribution to economic development in the province.

The federal commitment to economic development in Nova Scotia was, until recently, embodied in the Department of Regional Economic Expansion. Closer federal-provincial coordination of industrial initiatives emerged as a result of the Canada-Nova Scotia General Development Agreement and the various subsidiary agreements under it. A healthy consultative process existed between Nova Scotia and the federal government in the development of these programs. In 1982, DREE was combined with a portion of the Department of Industry, Trade and Commerce to form a new Department of Regional and Industrial Expansion. Part of the reason given for this was that other federal departments would take on a more regional perspective rather than rely on DREE entirely for this component of policy. To date, there has been little activity to support the federal government's promises in this area. In fact, organizational uncertainties within federal departments have made effective federal/provincial consultation on economic development issues difficult. The increased tendency at the federal level toward unilateral action suggests a further deterioration of the consultative mechanism developed under the General Development Agreement.

The Nova Scotia government will seize every opportunity to urge the federal government to show visible evidence of its commitment to regional development throughout Canada. In particular, Nova Scotia will seek to have regional targets for each department specified, to have small and medium-sized businesses given easier access to federal regional and national programs, to tailor federal initiatives to meet the needs of specific regions, and to have administrative changes made that would allow decentralized approval authority of applications under programs.

2. Consultation Among Business, Labour and Government

Through the Voluntary Planning Board, Nova Scotia has a significant head start over many jurisdictions with respect to ongoing discussion between the private sector and the provincial government on economic development issues. The Board is a proven model for increased business and government cooperation in the future. Stronger labour representation on the Board would make it an even more effective vehicle for consultation.

The White Paper marks a commitment by this government to change the way in which governments have traditionally dealt with the private sector through regulations, taxation systems and the design of program assistance. This commitment also places obligations on business and labour, in effect calling for their increased participation in government decisions which affect them. Private sector organizations should be prepared to provide advice more often before government makes decisions affecting the economy. **To facilitate this, the government will encourage and assist Voluntary Planning and other business and labour groups to offer advice in advance of government actions.**

Consultation with the private sector was an important element in the formation of this economic development framework. To continue this involvement, **the government requests that Voluntary Planning monitor progress on the development strategy and report to government on its implementation and refinement over time.**

3. A Partnership Between Labour and Management

A cooperative effort by labour and management which respects the interests of each group can have dramatic effects on productivity. Both unionized and non-unionized firms have significantly improved productivity through incentives such as bonus systems, flexible work hours, and joint discussion groups. More must follow suit.

The onus is on both labour and management to recognize the impact which their respective positions have on the overall performance of the firm and to work together to develop mechanisms which will strengthen their ability to compete successfully.

Government can help by providing information to firms on successful techniques used by other firms and by assisting the establishment of consultative mechanisms. **The Government of Nova Scotia will assist in the promotion and development of consultative mechanisms between labour and management which will improve the productivity of Nova Scotian firms.**

4. Cooperation Among Firms

Cooperation in the business world has already been shown to contribute to enhanced competitiveness. Particularly when specialized, complementary products are involved, all firms concerned can benefit from a joint marketing or R&D effort. Joint ventures, cooperatives and consortia are formal mechanisms for cooperation, while trade associations, industrial and development commissions, Chambers of Commerce or Boards of Trade are less formal means of achieving the same end.

The Nova Scotia government will encourage and assist firms to explore the full range of benefits that can be derived through cooperative efforts. Assistance will be provided toward the start-up costs of formal (and informal) associations of firms which wil enhance the ability of Nova Scotian goods and services to compete outside the province. These organizations will be eligible for other industrial assistance programs such as the Consulting Assistance Program and the Trade Expansion Program.

5. A Stronger Link Between the Private Sector and Educators

A closer relationship between educational institutions and private sector employers and employees would greatly benefit both groups. An understanding of each other's needs and capabilities would allow training programs to be developed that better reflect the needs of industry. In addition, research activity in educational institutions can be oriented to increase spinoff application in business.

Nova Scotia has an enviable stock of training facilities and research institutions, but too often their activities are conducted in isolation from industry, as well as from one another. The flow of ideas and information must be encouraged among these groups. This is important in a world where products, production processes and employee skills are changing rapidly. **The provincial government will stimulate the development and strengthening of ties between educational institutions and business and labour groups.** For example, the provincial government can assist firms to retain academic specialists to consult on specific problems, and strengthen programs to encourage the commercialization of research activities. Costly new equipment could be purchased jointly by an institution and a firm both to be used commercially and to provide training. An exchange of individuals could do much to strengthen ties among agencies. Sabbaticals for university researchers in related industry positions is one approach worth examining.

6. Cooperation in the Community

Communities throughout Nova Scotia have a wealth of resources to foster competitive business development and employment opportunities. Community development organizations and local business associations are "self-help" approaches to support local business initiatives which are already taking important strides in providing jobs for Nova Scotians within communities across the province.

Characteristically, these organizations emerge from the commitment and concern of individuals within the community. The most important element for success is clearly that of individuals working together. **Nova Scotia will enhance its support for the formation and operation of community development organizations where they offer reasonable prospects for aiding the local economy.** The assistance will include the provision of information and advisory services, as well as access to other funding programs. Resources may also be allocated to provide community development agencies with access to funds to assist in the start-up of local endeavours.

The successful implementation of a strategy for development depends on all participants in the economy. Investors, managers, workers, researchers, civil servants and students -- working together as individuals and through firms, governments and organizations -- hold the key to Nova Scotia's future prospects.

VII Investing for Tomorrow

Nova Scotia has come a long way in recent years, demonstrating real progress in standards of living and quality of life. But major global challenges involving increasing technological change and an internationalization of economic activity confront us. Individuals, firms and governments cannot simply carry on with "business as usual." The details of the future are always uncertain, but the evidence clearly points to the need for change and adaptation. The government and the private sector, including both worker and manager, can make deliberate choices to manage change, turn it to advantage and create the conditions we want. Nova Scotians will respond creatively to the challenges and opportunities ahead.

This White Paper sets out clear directions for economic development policy over the next several years. These policy directions are designed to ensure that Nova Scotia is economically dynamic, progressive and self-reliant. The Government of Nova Scotia is expressing what it is doing to create an environment where economic development can prosper. The policies are set forth in a spirit of openness. They have come about through discussion and interaction between government and the private sector and represent a consensus of opinion on policy. The White Paper is neither rigid nor static, but rather is designed to be flexible and responsive. Policy may evolve over time with further discussion and consultation, but the Government of Nova Scotia considers it essential that people be able to plan for the future in an atmostphere of policy stability and certainty.

The focus is on competitiveness as the quality around which government and private sector actions for growth and development can coalesce. Competitiveness is necessary to improve employment opportunities, raise incomes, better the quality of life and create prosperity. A development policy that aims at increasing the competitiveness of Nova Scotian industry has, as the preceding chapters have detailed, many facets:

- better development of people's skills and abilities,
- encouragement of technological innovation,
- tax systems that encourage and reward success,
- a reformed regulatory system,
- less direct government interference in the economy,
- expanded emphasis on marketing and trade development policies,
- clear guidelines for that government involvement which is necessary to improve competitiveness, and
- improved consultation and cooperation among economic actors.

Action in these areas is mandatory if Nova Scotia is to meet the development aspirations of its people.

The implementation of policies outlined in this paper will not transform the Nova Scotian economy overnight. Even though the results in terms of economic prosperity may not be apparent for some time to come, the wheels must be put in motion. The diligence and imagination of the private sector are essential now and have to be applied on a daily basis. The stakes are too high to be complacent about the future. Government can be supportive and encouraging of private activity; it cannot develop the economy on its own. This White Paper is meant to point the way but it is up to each Nova Scotian to pursue new and challenging opportunities.

There are many routes to competitive success. The Government of Nova Scotia has deliberately stayed away from a sectoral approach and instead is providing a framework

for development in all sectors and in all areas of the province. Governments are generally not good at picking "winners." The changing world environment means that there are a variety of industries (traditional and new, resource, manufacturing and service) that have the potential to be successful. We do not want to overlook any options. The Government of Nova Scotia recognizes that there are structural problems in a number of sectors in the Nova Scotian economy. Each of these can be addressed carefully by those involved in particular industries using this policy framework.

What will be different as these policies are implemented? What is our vision of the future? The prospects for prosperity and a richer life will be better. There will be a greater variety of employment opportunities as economic activity expands, modernizes and diversifies. Individuals will be less dependent on government transfers for their well-being. The private sector will be more self-reliant, more able to direct its own future. Nova Scotians will be outward looking and better equipped to respond quickly to competitive challenges and seize opportunities aggressively. The key to the realization of this potential rests with each of us.

POOR

QUALITY

ORIGINAL